



President's Report



Fiscal Year Update

Financial Status

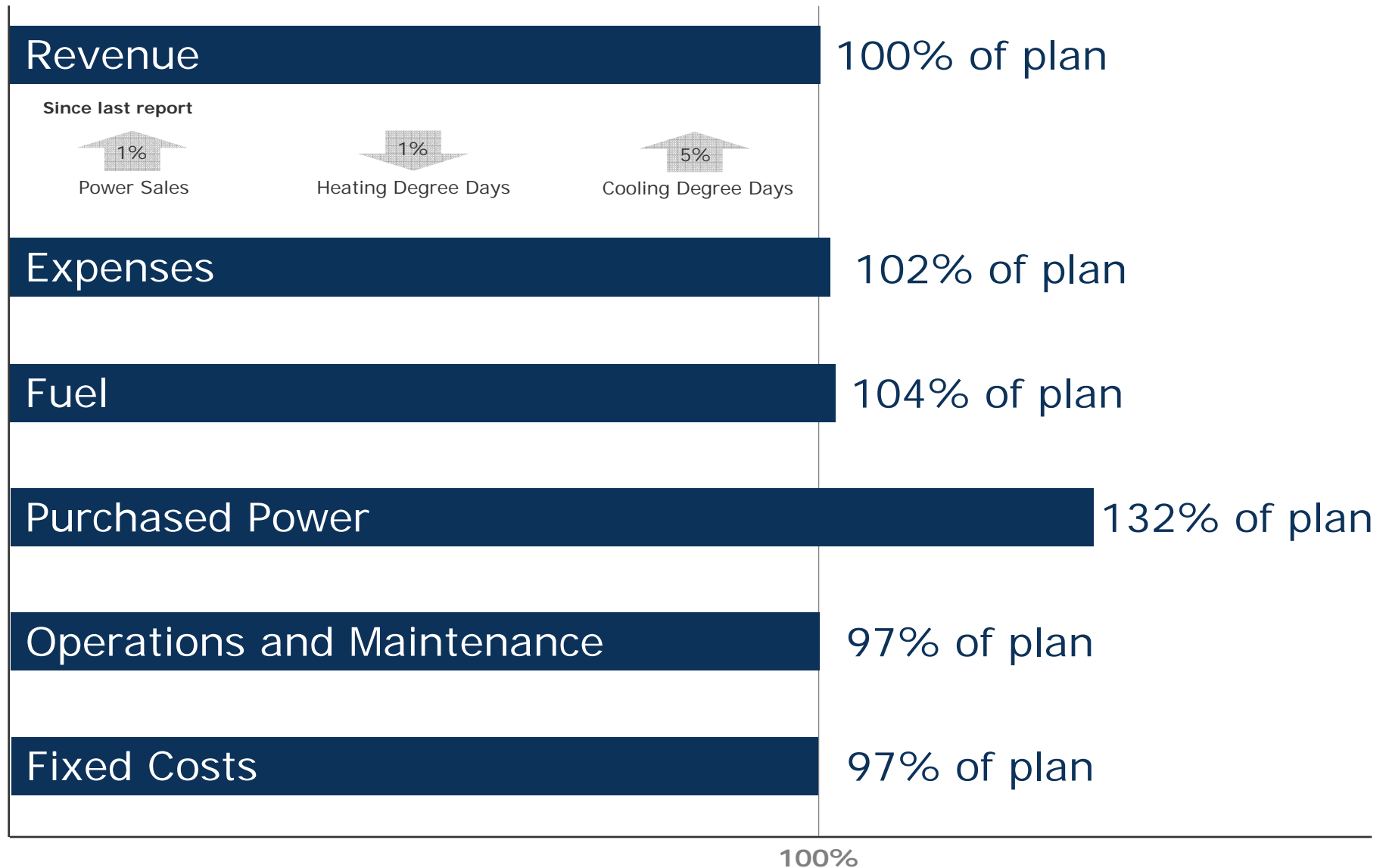
Record Demand

Record Drought

Fiscal Year 2007 Hard Spots & Highlights



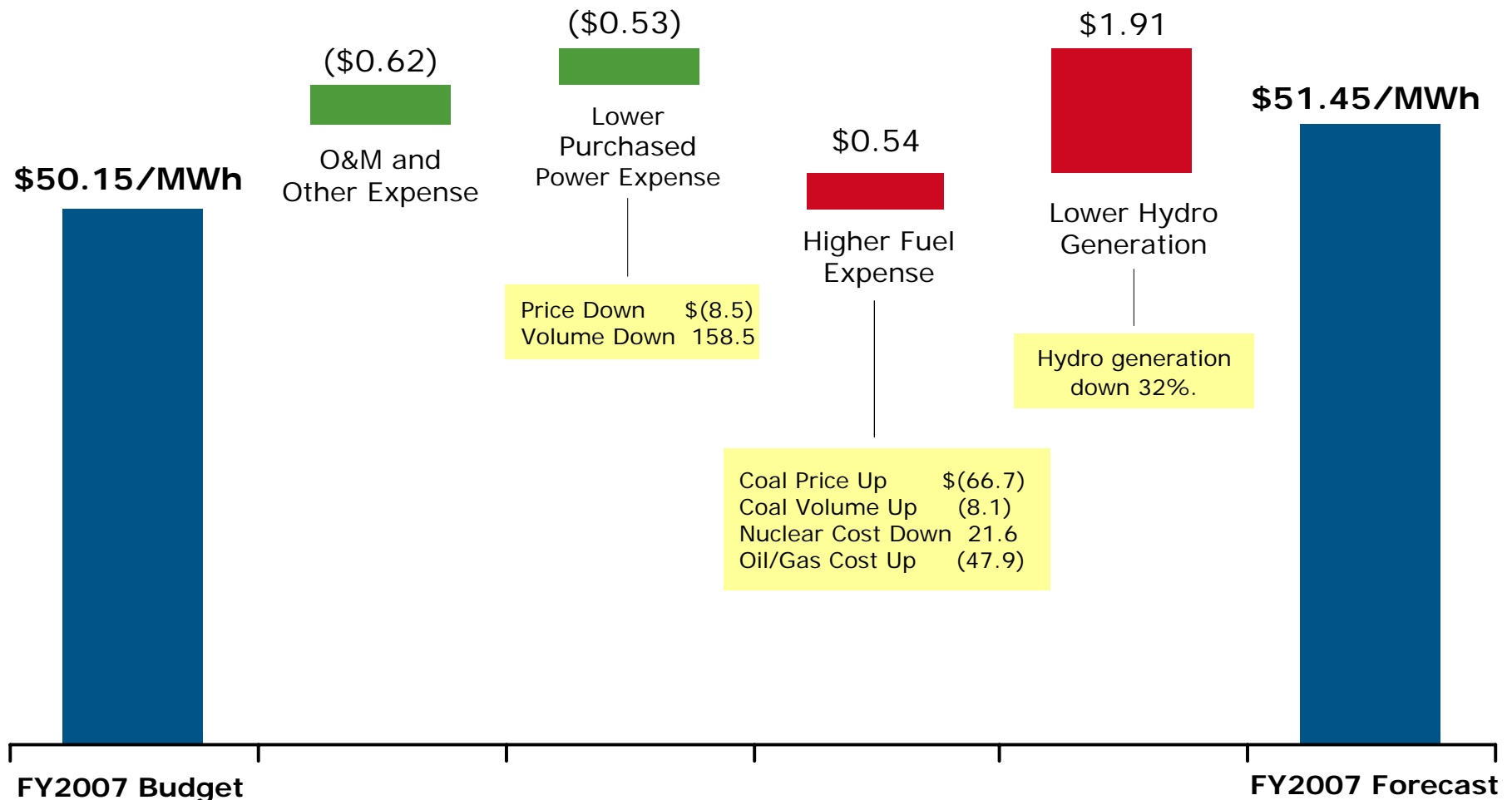
Financial Drivers





Total Cost of Power Forecast

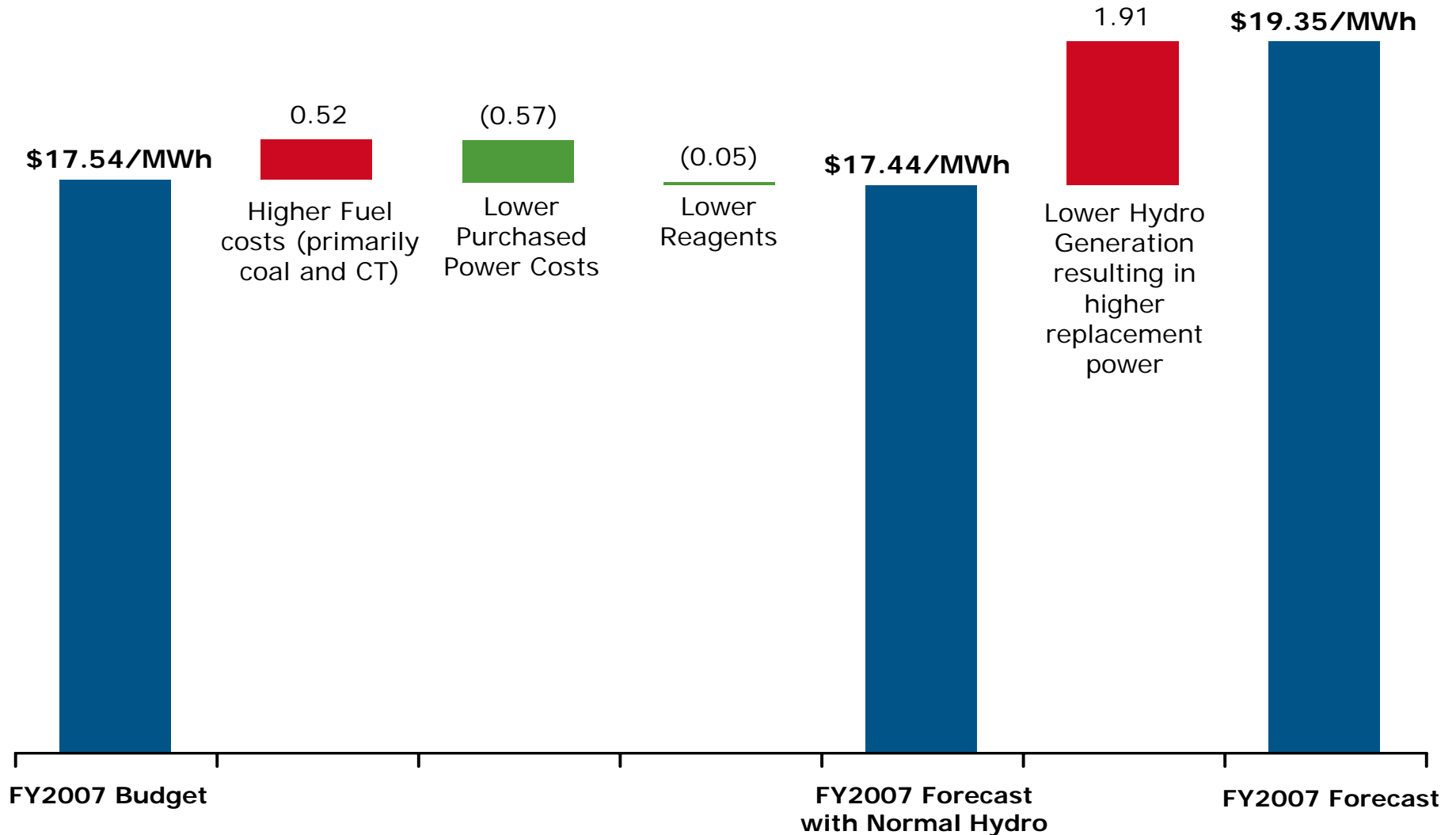
Total Cost of Power is forecasted to be above plan by 2.6% for the year.





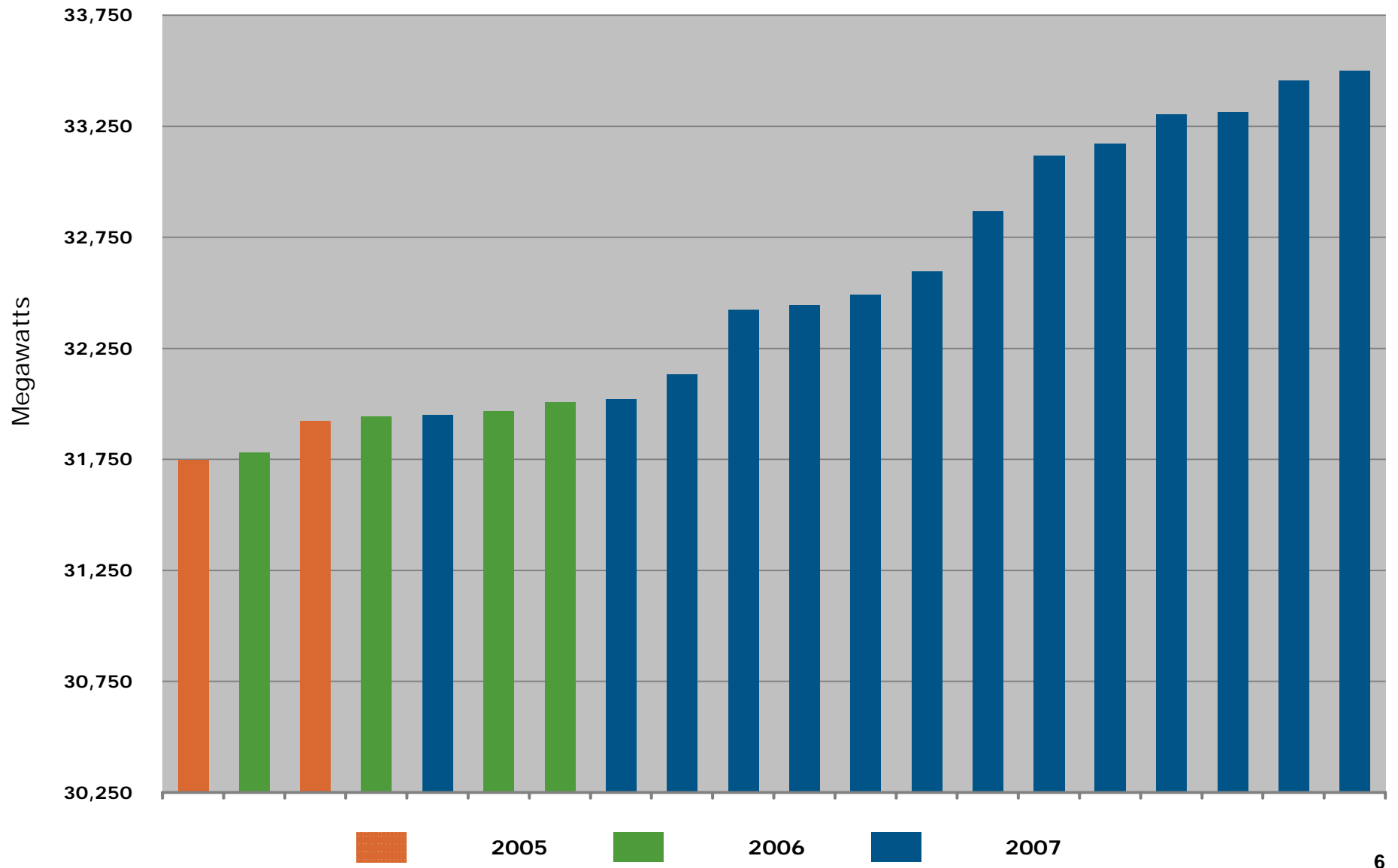
Fuel Cost Adjustment Cost of Power Forecast

Fuel Cost Adjustment Cost of Power is forecasted to be above plan by 10.3% for the year.





Top 20 Peak System Loads





August '07...hot and dry



No drought relief in sight

The Tennessean
8/17/2007

TVA Dealing With One Of Driest Periods In Its History

Chattanooga.com
7/23/2007

High temps, low water: Drought worsens, impact widens on lakes, rivers around Alabama

The Decatur Daily
8/22/2007

LACK OF RAINFALL MEANS REAL PROBLEMS FOR TVA; BARGES, UTILITIES, BOATERS ALL RELY ON WATER SUPPLY

The Huntsville Times
4/8/2007

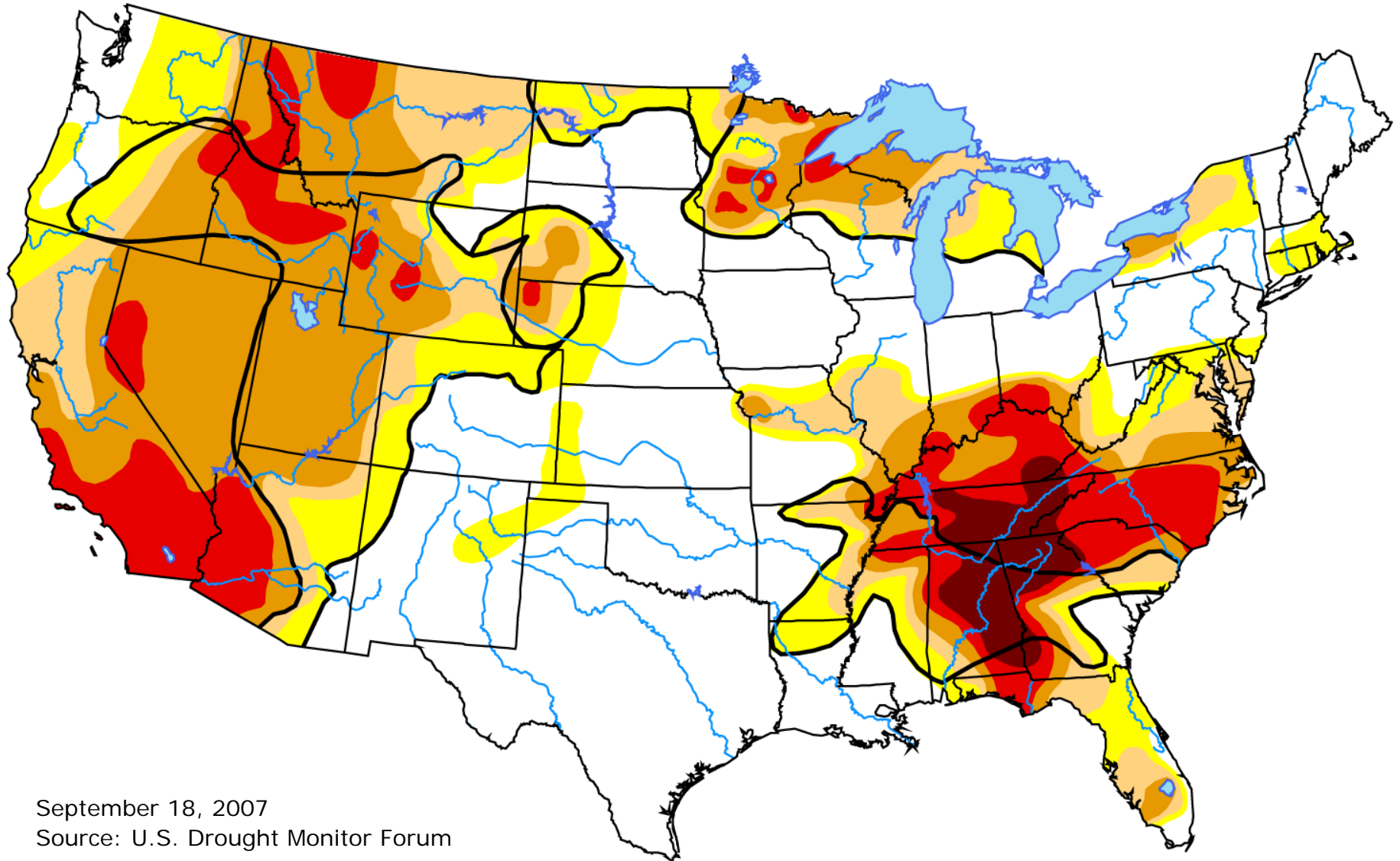
Memphis drought erases mark set during Dust Bowl years

Commercial Appeal
6/2/2007

Drought; heat still setting records

Tulahoma News
7/24/2007

U.S. Drought Map



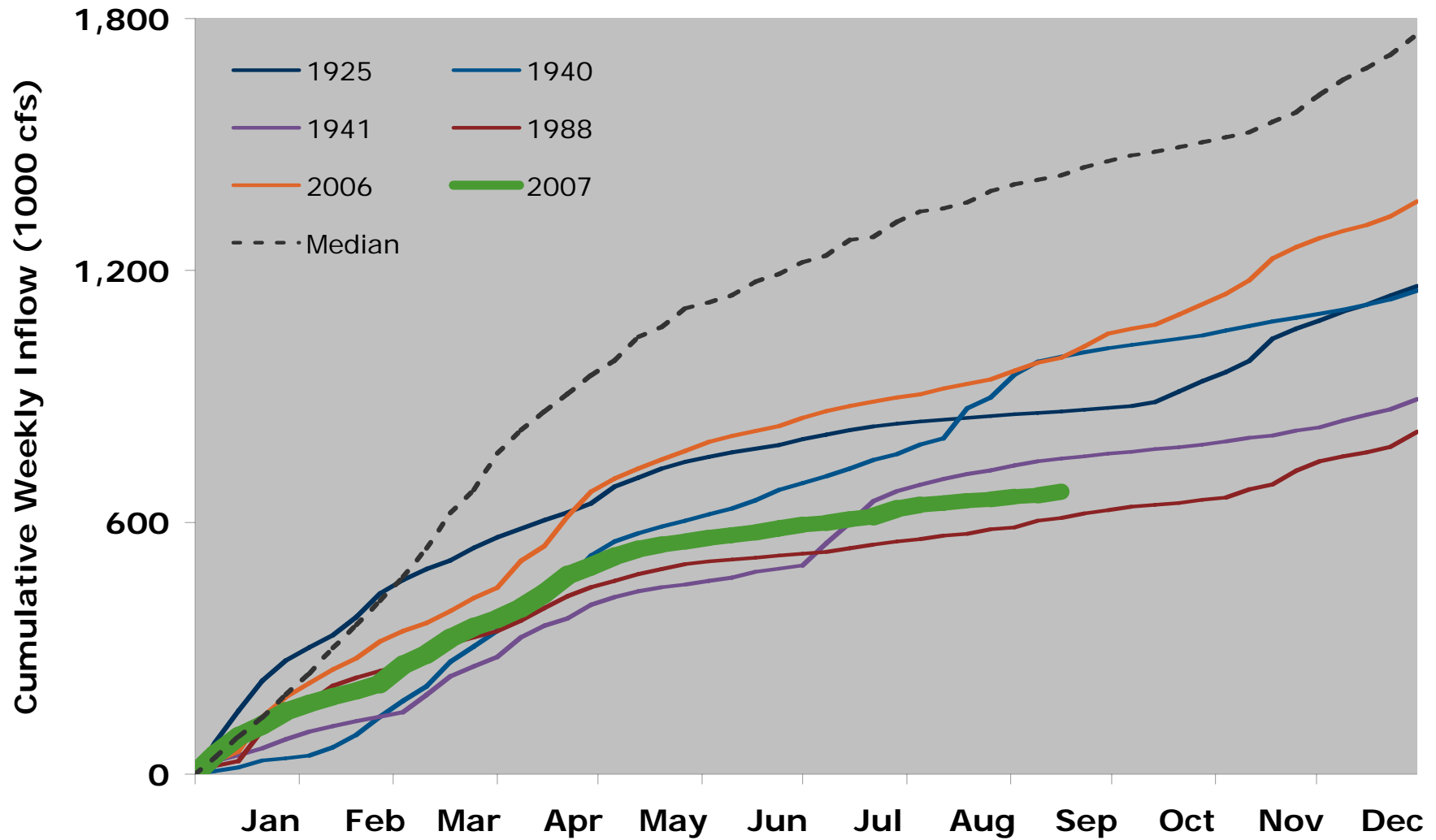
September 18, 2007

Source: U.S. Drought Monitor Forum



Low Inflow Years

System Inflow - Above Chattanooga







Fiscal Year 2007 Hard Spots

Reduced Hydro

Thermal compliance

Unit reliability at times

Higher coal costs



Fiscal Year 2007 Highlights

Strategic Plan

Browns Ferry Unit 1

Scrubber added at Paradise Fossil Plant

Combustion Turbine purchases

Approval to construct Watts Bar Unit 2

Summer reliability

Economic Development

Senior Management Team

Returning Distributors



Energy Efficiency



2007 Strategic Plan

Energy Efficiency and Demand Response

“In partnership with others, TVA will strive to be a leader in energy-efficiency improvements and peak demand reduction over the next five years.”

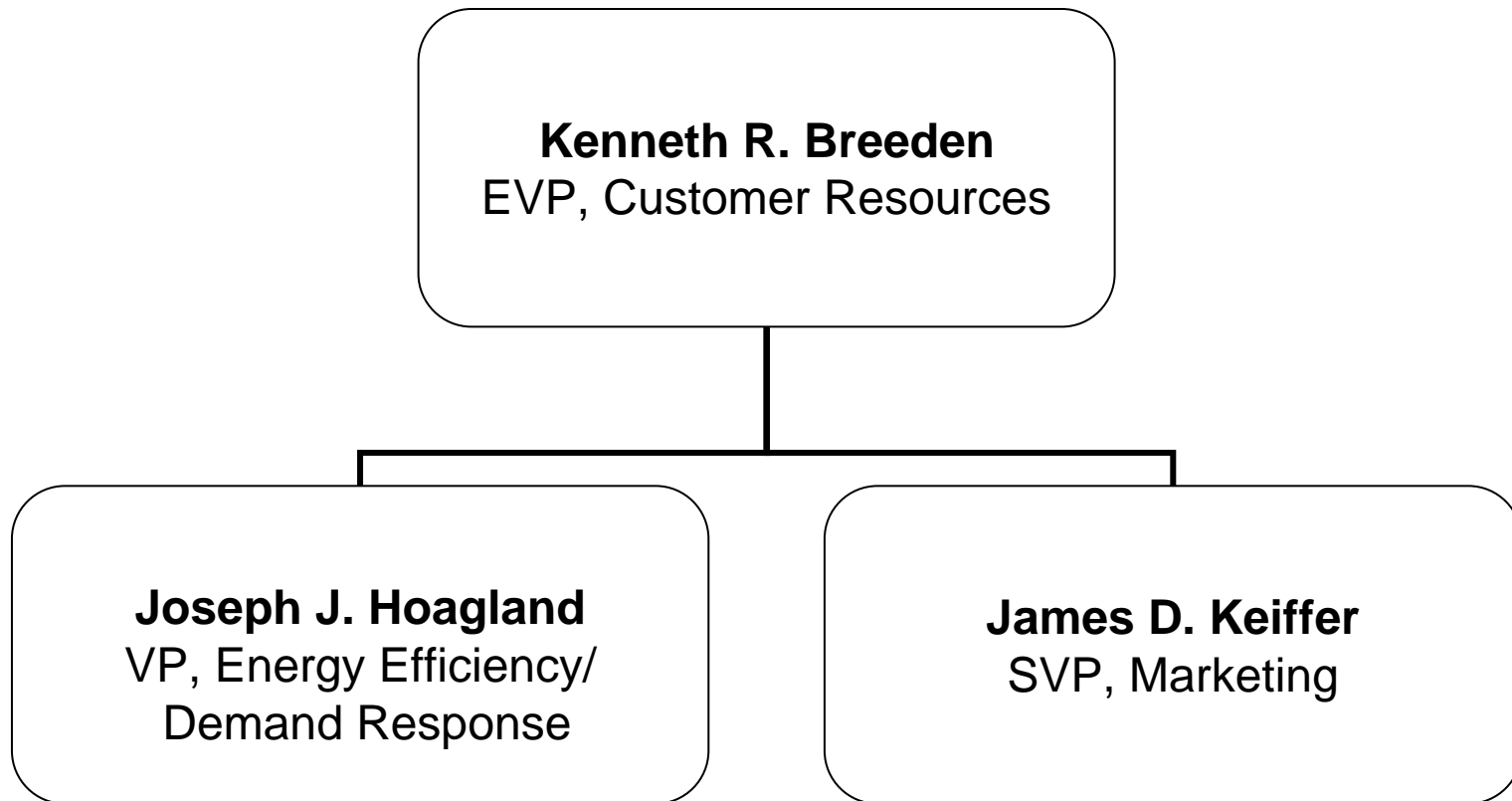


Energy Efficiency & Demand Response

- Develop 5 -10 Year Energy Efficiency and Demand Response plan
 - What is theoretically possible?
 - What is economically feasible?
 - Regional Energy Efficiency Oversight Council
- Existing Energy Efficiency programs
 - Meet FY08 Business Plan goals
 - Align programs to fit new plan once developed
- Design and Establish New Organization



Organization





Specific Tasks (6-9 months)

- RFP process for external consultant
- Develop process for gaining stakeholder input
- Engage all Valley stakeholders
- Recommend process for EE Oversight Council
- Understand the National context
- Work with State(s) on Energy Plan
- Approval from Board

